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# » Fintech Forever

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Financial technology's durability in Spain should not be questioned. Fintech relies upon a sustainable business model in the most advanced international markets, as well as on the capacity of Spanish fintech to democratize its financial sector to make it more dynamic.

However, the most important part is missing from this plan to achieve theses goals: doing things right. The leading actors have made it a priority to clarify their specific characteristics and specializations to the market—important as there are more than half a dozen specializations that coexist under the term "fintech"—and establish a regulatory framework that supports innovative development in a sector that has yet to regain society's trust in the aftermath of the financial crisis. But these efforts are not enough; much more must be done, and is being done, to win back the trust of investors and clients.

## FINTECH DRIVE

A new revolution is necessary: one that will boost the sluggish economic growth in the aftermath of the financial crisis. Institutional and private investors boast of their ability to identify business disruptions that catch their investors' eyes, and **it seems the fintech sector is fast becoming venture capitals' new darling**.

These companies allocate many resources toward reinvention in terms of financial sector's efficiency and transparency, putting the focus on customer experience. For this, fintech companies make use of IT and communications to offer their clients more efficient and less costly financial and other services.

The digital boom and need for transformation in the banking and financial business models have contributed to this. Over a short period of time, these companies have added dynamism to the market. Solely in 2016, the total global investment in fintech amounted to $24 billion, and the cumulative direct investment since 2010 exceeds $75 billion. In Spain, investment is still in the early stages when compared to England or the United States, but the figures hint at a powerful takeoff. Just last year, more than a hundred new fintechs companies were created for a total of over 240 companies. A global peek at the most prestigious innovation labs and startup accelerators confirm that the fintech sector is at the crest of a wave.

The word "fintech" is, of course, a portmanteau of "finance" and "technology." Technology has an important impact on the way alternative and innovative financial products and services are created or distributed. Innovation is precisely what clients value most, even over cost.

Good examples of these innovative practices can be seen reflected in the credit sector. It has felt how fintech has improved competitiveness with the irruption of direct businesses, such as fast online loans, or the introduction of P2P loans (loans between private individuals).

Alongside its role as sector invigorator and rival generator, fintech has managed to channel other business needs. In an era where credit is limited,

small and medium businesses and startups are finding their funding needs solved by so-called crowdlending and crowdfunding, in which businesses and projects are funded via crowdsourcing; equity crowdfunding platforms for investment via capital; and crowdinvesting and factoring platforms, with notes for debt compensation.

When considering more traditional business ventures, such as asset management and advising services, this irruption has given birth to investment-related social networks where portfolio monitoring, risk assessment, profitability and diversification data are shared. We find, on the one hand, businesses with automated assessments and management, and on the other, online platforms for negotiating between investors.

In the field of personal finance, offerings lean toward services that enable more efficient management, providing clients better expense control and giving them access to expense predictions based on previous behavior.

In this journey through the technological world of finance, it is impossible not to mention the agility, speed and convenience it can provide for users and retailers—for example, enabling payment via mobile phone and other electronic devices.

Technologies such as blockchains and criptomoney—also referred to as bitcoins—are the true essence of fintech, for they are based on the exchange of purely digital currency to facilitate purchases, brokerage or the creation of virtual credit cards. They are still an unknown, and for many individuals are mere words, complex to understand and pronounce. For the more suspicious, experts highlight that criptomoney allows immediate identification of its owner, hindering unlawful use.

These companies invest a lot of resources in rethinking the whole sector in terms of efficiency and transparency, while also focusing on user experience. They seek to solve their clients' problems and provide them with easy access to products and services not available to them until now.

It is clear that exponential technological development is accelerating change for consumers and in what they demand from their providers, particularly from financial services providers. This revolution suits fintech perfectly, since its mission is to drive digital transformation in the financial sector.

Fintech also encompasses a wide range of offerings. As mentioned, it is an umbrella term covering all kinds of financial services, especially those based on digital and mobile technologies. Having such a broad meaning grants the sector higher visibility and makes it a powerful lever for change, although it may also demand greater efforts regarding differentiation.

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## MAPPING ITS OWN ROUTE

At this point, without abandoning the focus on shared knowledge and network-based work, a specific roadmap must be defined on an individual basis to gain the trust of every client while avoiding congestion in the market or suffering a blow from any domino effect.

Building a brand image is a fundamental part of success. Such image must also be consistent and sustainable over time, especially for those fintech companies whose services are focused on retail and private investors. Thanks to network-based work, business models are no longer something just a chosen few—those highly qualified or highly innovative—understand, providing an opportunity to highlight one's own strengths and specifications. **In other words, the sector's visibility must go hand in hand with the prestige of one's own brand.**

This additional challenge does not arise from technological labs, nor does it require rounds of investment. The approach must start at street level and base itself on building dialogue with more heterogeneous groups, reaching different territories and communities (media, private investors, citizens, millennials and many more). The goal is to start a wider dialogue, maintaining our presence and relationships with peers and the industry while entering a wider, deeper sphere of dialogue where potential users and clients are. In this respect, one figure is especially representative—the client recommendation rate for fintech providers is 50 percent, while that of traditional banking institutions is just 30 percent.

Spoken and written communications, dialogue and relationship-building are the strategic tools that help build this markedly digital business model. An appropriate strategy developed over time will allow fintech companies to gain clients' attention, as well as that of venture capital funds and private investors.

A second point must also be highlighted regarding the increase in user demand: estimates show that the number of fintech companies will double in 2017 (from 200 to 400), bringing with it increased competition in the sector. **Not only does this make differentiation essential, but it also means there is a unique opportunity to anticipate this, differentiate, gain exposure and increase brand prestige today.**

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